



Housing Authority of the City of Alameda

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To: Honorable Chair and
Members of the Board of Commissioners

From: John A. Russo
Chief Executive Officer

Date: January 3, 2012

Re: Accept Audit of Financial Statements for Fiscal Year Ending June 30, 2011

BACKGROUND

An audit of the financial statements of the Housing Authority of the City of Alameda for the fiscal year ending June 30, 2011, was conducted by an independent auditor, Wallace Rowe and Associates, Certified Public Accountants. The audit was conducted in accordance with auditing standards contained in Government Auditing Standards issued by the Comptroller of the United States.

DISCUSSION

This report submits the annual Financial Statements for last fiscal year (Exhibit A). The auditors, Wallace Rowe and Associates, opined that "the financial statements...present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Alameda, California, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with principles generally accepted in the United States of America." The "Management's Discussion and Analysis" starts on Page 3 of the audit and provides a good overview of the financial year.

There was one finding for the year. The auditor found that there were errors involving the calculation of individual Housing Assistance Payments (HAP) during the fiscal year. Of 51 calculations examined, 13 were found to have errors of which eight resulted in an incorrect HAP and tenant rent. Five others contained the use of an incorrect utility allowance (UA) though this did not result in an incorrect HAP or tenant rent. These errors resulted because incorrect UA or payment standards were used. The auditor recommended staff review each file at the next re-examination to determine if tenants should be reimbursed for excessive tenant rents. In addition, the auditor recommends implementing revised quality control procedures.

The Housing Authority agrees that an 18 percent error rate is too high and acknowledges the use of an incorrect UA in seven cases and the wrong payment standard in one case. The Housing Authority believes that the reason for these errors

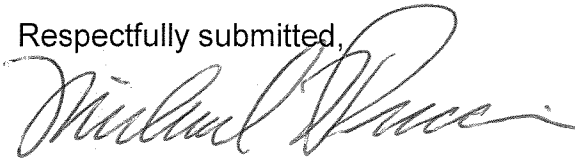


is the increased opportunity for error when there are multiple changes in the UA and payment standards during the course of the year. To prevent errors arising in the future, procedures have been implemented to announce new UA schedules in advance of their effective date to ensure congruence between the effective date of those schedules and participant re-examinations as they are processed. The Housing Authority will review the previous year's calculations in accordance with the auditor's recommendation to determine if errors require reimbursement to tenants. If errors have resulted in overpayment to tenants of UA reimbursement, the Housing Authority will hold tenants harmless and not require reimbursement. The Housing Authority has increased the percentage of files and transactions reviewed by supervisors for quality control purposes. The Housing Commission reviewed the audit with the auditor at its November 16, 2011 meeting and recommends acceptance of the audit by the Board of Commissioners.

RECOMMENDATION

The Housing Commission recommends the Board of Commissioners accept the audit report for the fiscal year ending June 30, 2011.

Respectfully submitted,



Michael T. Pucci
Executive Director

Exhibit: Annual Financial Report – On file in the City Clerk's Office

MTP:ED

